



/// A beginner's
guide to franchising

**Franchise
Discovery
Day**

/// Setting up a successful business through franchising

For many people, setting up their own business is a dream. But it carries a risk with 50 – 70% of independent start-ups failing in the first five years according to the British Franchise Association (BFA) and NatWest survey of 2018.* Compare that to franchising where 97% of franchisees are turning a profit and failure rates that can be attributed to commercial shortcoming are only 4.6% a year. †

/// What is a franchise?

A franchise is a type of business where the owner, a franchisor, licenses its operations, ideas, knowledge and services, to a franchisee, allowing them to sell their business services or products under the franchisor's name.

A franchisee pays a franchise fee to buy the licence from the franchisor, using which they can grow their own, independently owned business through the brand. There is often an ongoing royalty fee paid by the franchisee to the franchisor.

Franchises are a great way for people to launch a business which already has developed services, a proven business model, and an established brand awareness.

† NatWest's 'The New Franchisors Handbook', 2020.
<https://natwestbusinesshub.com/articles/the-new-franchisors-handbook>





93%
franchisees
claimed
profitability
in 2018. *

*based on statistics from bfa and
NatWest's '2018 Franchise landscape'

/// Are franchises successful?

Franchises are hugely successful, as they are built on a tried-and-tested business model.

The franchising industry in the UK contributes over £17 billion to the economy, and employs in excess of 700,000 people.

Many high-street names and well known brands are franchises, including McDonalds, Subway, Anytime Fitness, Costa Coffee, and Belvoir.

When buying into a franchise you access many things which will boost your business, including ongoing support, innovation, a well-known name, and a developed business model, although it is ultimately you who is responsible for growing the business.

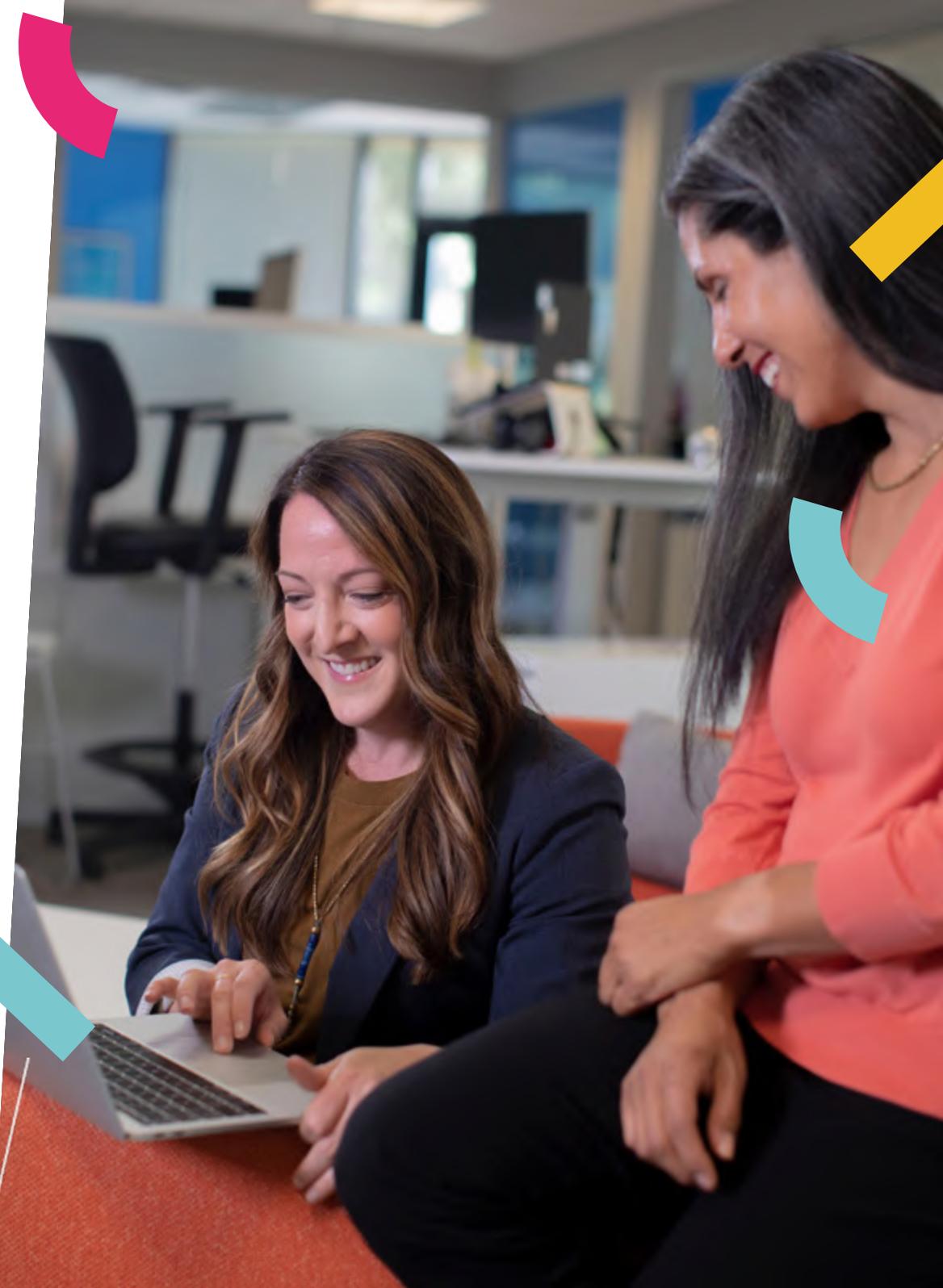
Like any business, you have to work hard to achieve success with your franchise.

/// Advantages of a franchise

For many, a franchise is an alternative route into running your own business.

+ Advantages include:

- A wealth of ongoing support throughout your business journey from the franchisor team at HQ.
- Existing brand recognition.
- A proven business model and lower risk.
- Lower failure rate than start-up businesses
- Favourable funding from lenders.
- Buying power as part of a national network.
- Established relationships and partnerships.
- Ongoing training opportunities.



/// Picking the right franchise for you

There is a wealth of franchise opportunities on the market, and you are sure to find one that fits well with you. Things to consider include:



The sector - are you investing in something you are passionate about, or opting for a business in a growth sector, or wanting to make a difference? Some franchises may require you to have experience in the sector, but many provide full training.



Investment level - franchises come with varying investment levels, depending on whether the business is mobile or premises based, a new name on the scene or an established franchise which is a household name.



The extent you wish to be involved - some franchises offer a flexible working style, and some require your full involvement to get it up and going. Really consider how much of your own time you want to dedicate to the business.



The reputation of the franchisor - most ethical franchisors support their franchisees fully throughout their journey, guiding them to success and in turn boosting the brand as a whole. But many may not be so helpful, and your fee may lie in just buying into the name. Do your research beforehand into the reputation of the franchisor, and speak to existing franchisees to understand their experience.



Research competitors - once you decide on an area or investment level, look at competitors and see what sets each franchisor apart. What USP are you buying into?



Make sure you are invested in the mission and ethos - ensure you really are passionate about the business and what you will be doing on a day to day basis. If your vision aligns with that of the franchisor, you are more likely to achieve success in your business and grow it to achieve a significant turnover.

/// Funding

There are many ways you can fund a franchise, but many look to lenders and banks to help them with the initial investment.

Banks look favourably on franchise investment due to their proven success rate, often willing to lend a high percentage, up to 70%, of the investment level over the course of the franchise agreement.

But with most franchises, you will need a certain amount of liquid capital to see you through your first year, allowing you to employ staff, buy supplies and other necessities before generating a profit.

There is lots of support out there, and good franchisors have developed relationships with the banks and will help you through finding funding for your franchise business.



/// Ongoing support

Another benefit of a franchise is the ongoing support provided by the franchisor.

This comes in many forms, but will guide you throughout your franchise journey and aid in the development of your business.

This could include support with:

- Changing regulations in the sector
- Innovations and partnerships
- Advertising and marketing
- Recruitment
- Legal and HR support
- Financial support
- Guidance on business development

Being part of a large network means you can benefit from a strong peer support network, with neighbouring offices helping you in your journey and sharing best practice.

Communication is key in franchising, with all franchisees having a voice in shaping the future of the business and guiding any changes. Franchise networks often hold regular review boards, conferences, and meetings where franchisees can share their ideas or concerns.





/// Top tips

- Ask as many questions as you can! You are buying a business and it is going to change your life, so be certain before you make a big decision.
- Speak to other franchisees to learn about their journey and what your own could look like.
- Check if the franchise is a bfa (British Franchise Association) member – this will ensure they are ethical, meeting certain targets and regulations to ensure they are supporting their network. Their awards can also signify the franchises which are excelling!
- Make sure you can afford the investment- don't overstretch yourself and ensure it is manageable.
- Also make sure it fits well with your life and ultimate goals!
- Ensure the sector is one you have a personal investment in; if you are not interested in the business, you won't be able to grow it to a profitable level.
- Have enough liquid capital to get going.
- Do as much research as possible – attend events, discovery days, webinars, speak to the franchisors directly, shop around.
- Think about your exit journey from early on – this will help to guide your aims for your business, and establish a clear path from the start.

/// The franchisors



Driver Hire is the UK's largest specialist logistics recruiter, providing a wide range of drivers and non-driving staff to organisations throughout the UK.



Home Instead is leading the way in home care, with their companionship-led care services aiming to change the face of ageing across the UK.



Leading operators in mobile paint-repair, **Revive!** offer van-based, mobile SMART repair services across the nation.



FASTSIGNS is more than just a sign creation service: they provide visual communications solutions to help businesses meet their goals and realise their full potential.



Puddle Ducks delivers child-led, fun swimming classes to over 24,000 babies and children a week across the UK, from birth – 10 years



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